

Translated from Latvian

**AS LTB BANK**

**PUBLIC REPORT  
FOR THE 12 MONTHS PERIOD  
ENDED 31 DECEMBER 2010  
(AUDITED)**

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## AS LTB BANK

### PUBLIC REPORT FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2010 (AUDITED)

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## 1. OVERVIEW, OWNERSHIP AND MANAGEMENT

### 1.1. SHAREHOLDERS

As at 31 December 2010, MDM Bank (Open Joint Stock Company) incorporated in the Russian Federation (registration number 1025400001571, registration place – Novosibirsk), was the sole shareholder of AS LTB Bank (hereinafter – the Bank) with 100% of the Bank's paid-in share capital.

The Bank's paid-in share capital amounts to 8 200 thousand LVL and consists of 820 000 voting ordinary registered shares with the nominal value of 10 LVL each.

International rating agencies have awarded MDM Bank one of the highest investment ratings among Russian private banks:

International rating agency	Long-term rating	Short-term rating	Financial strength rating	Support rating	Rating's outlook
Standarts & Poor's	B+	B	-	-	Stable
Moody's Investors Service	Ba2	Not Prime	D	-	Stable
Fitch	BB	AA-	D	4	Stable

Detailed information about ratings can be found on the web sites of MDM Bank or the rating agencies:

[www.mdm.ru/moscow/about/credit-rating](http://www.mdm.ru/moscow/about/credit-rating), [www.moodys.com](http://www.moodys.com), [www.fitchratings.com](http://www.fitchratings.com),  
[www.standartandpoors.com](http://www.standartandpoors.com)

### 1.2. THE COUNCIL

As at 31 December 2010, the structure of the Council of the Bank was as follows:

Name, surname	Position	Date of appointment
Nikita Riauzov	Chairman of the Council	08.10.2010
Anna Arkhangelskaya	Deputy Chairperson of the Council	11.05.2010
Nikolay Ustinov	Member of the Council	11.05.2010
Anton Savushkin	Member of the Council	11.05.2010

During the first 12 months of the year 2010, the following Members of the Council resigned:

Name, surname	Position	Date of appointment	Date of resignation
Vadim Sorokin	Chairman of the Council	16.12.2008	11.05.2010
Tatiana Pupkova	Deputy Chairperson of the Council	16.12.2008	11.05.2010
John Mc Naughton	Chairman of the Council	01.06.2009	08.10.2010

On January 24<sup>th</sup>, 2011, the shareholders meeting appointed the new member of the Council, where Nikolay Ustinov resigned and Artem Kirillov was appointed as member of the Council.

**1.3. THE BOARD**

As of the date of this report the structure of the Board of the Bank was as follows:

<b>Name, surname</b>	<b>Position</b>	<b>Date of appointment</b>
Armands Šteinbergs	Chairman of the Board	25.09.2000
Inna Harčenko	Deputy Chairperson of the Board	23.12.2005
Valda Knauere	Member of the Board	06.11.2000
Rolands Petersons	Member of the Board	15.03.2010

On 15 March 2010, the Council of the Bank appointed Rolands Petersons as Member of the Board. On 1 April 2010, the changes in the Bank's Board were registered with the Enterprise Registry of Latvia.

**1.4. PRINCIPAL ACTIVITY, STRATEGY AND OBJECTIVES**

The Bank's principal activity basically consists of customer cash flow servicing, including servicing of checking accounts, cash transfers (wire transfers), trade finance transactions, foreign exchange, servicing of debit and credit cards and trust management services.

Organisational structure of the Bank is based on functionality and comprises nine departments, each accountable to and supervised by a specific member of the Board. In addition, there are three committees and two commissions accountable to the Board. The Bank has no branches in Latvia.

The Bank's operation plan for the year 2010 is mainly geared towards the continuation of the Bank's existing business and is focussed on expanding the Bank's regional business by implementing in the Bank's development strategy a principle called "Follow Your Customer".

On 24 March 2010, the Bank's branch in Cyprus was registered with the Registrar of Companies of the Republic of Cyprus. The registration number of the branch is AE2512. In August and September 2010, international auditing company KPMG according with the requirements of the Central Bank of Cyprus managed the obligate preoperational audit in the Bank's branch. On 5 October 2010, the Board of the Bank received the commencement of operations of the Bank's branch in Cyprus from the Central Bank of Cyprus. The Bank's branch in Cyprus was opened on 8 October 2010.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This report has been prepared in accordance with “Regulations on Preparation of Public Quarterly Reports for Credit Institutions” approved by the Financial and Capital Market Commission (FCMC).

The scope and assessment methods of the balance sheet and income statement comply with “Regulations on the Preparation of Annual Reports and Annual Consolidated Accounts for Banks, Investment Brokerage Firms and Investment Management Companies” of the Financial and Capital Market Commission and with International Financial Reporting Standards (IFRSs) adopted by the European Union.

All amounts are reported in thousands of lats (LVL'000), which is the official currency of the Republic of Latvia and the Bank's functional currency.

In view of the range of the Bank's services and associated volatility of assets the Bank calculates average values of capital and reserves based on balance sheet balances as of each day and uses this method, which is more precise and sensitive than others, on ongoing basis within the Bank's internal control system for reporting to the management. In addition, the Bank provides in clause 3.4 of this report ROA and ROE statements prepared in accordance with the aforementioned method.

## 3. FINANCIAL RESULTS AND PERFORMANCE

## 3.1. BALANCE SHEET

Item	31.12.2010 LVL'000 <i>Audited*</i>	31.12.2009 LVL'000 <i>Audited*</i>
<b>Assets</b>		
Cash and demand deposits with central banks	7 551	10 383
Due on demand from credit institutions	395 010	207 816
Available-for-sale financial assets	11	9
Loans and receivables	41 415	47 441
<i>Term deposits due from credit institutions</i>	<i>41 233</i>	<i>47 332</i>
<i>Loans to customers</i>	<i>182</i>	<i>109</i>
Prepaid expense and accrued income	92	71
Fixed assets	208	152
Intangible assets	275	51
Tax assets	242	750
Other assets	381	485
<b>Total assets</b>	<b>445 185</b>	<b>267 158</b>
<b>Liabilities</b>		
Due on demand to credit institutions	55	633
Financial liabilities at amortised cost	400 312	223 299
<i>Term deposits due to credit institutions</i>	<i>-</i>	<i>-</i>
<i>Deposits from customers</i>	<i>400 312</i>	<i>223 299</i>
Deferred income and accrued expense	140	123
Provisions	124	183
Tax liabilities	20	2
Other liabilities	136	19
<b>Total liabilities</b>	<b>400 787</b>	<b>224 259</b>
Shareholders' equity and reserves	44 398	42 899
<b>Total liabilities, shareholders' equity and reserves</b>	<b>445 185</b>	<b>267 158</b>
Assets and liabilities under trust management	7 044	26 385
<b>Off-balance sheet items</b>		
Contingent liabilities	33	27
Off-balance sheet commitments to customers	30 169	86

\*Auditors: SIA „KPMG Baltics”

## 3.2. INCOME STATEMENT

Item	First 12 months 2010 LVL'000 <i>Audited*</i>	First 12 months 2009 LVL'000 <i>Audited*</i>
Interest revenue	955	1 184
Interest expense	(494)	(494)
Commission and fee revenue	853	626
Commission and fee expense	(75)	(91)
Net profit from dealing and revaluation of foreign currencies	2 886	3 220
Other revenue	14	23
Other expense	(248)	(223)
Administrative expense	(2 091)	(1 709)
Depreciation	(81)	(70)
Net impairment loss on financial assets	(2)	(5)
<b>Profit before income tax</b>	<b>1 717</b>	<b>2 461</b>
Corporate income tax	(220)	(374)
<b>Profit for the reporting period</b>	<b>1 497</b>	<b>2 087</b>

\*Auditors: SIA „KPMG Baltics”

## 3.3. PERFORMANCE INDICATORS IN ACCORDANCE WITH FCMC REGULATIONS\*

Entry	First 12 months 2010	First 12 months 2009
Return on equity (ROE) (%)	3,42	4,97
Return on assets (ROA) (%)	0,59	1,00

\* **return on equity (ROE)**. The return on equity ratio is calculated as the ratio of profit.loss<sup>1</sup> of the reporting period (after tax) to the average<sup>2</sup> value of the Bank's capital and reserves;

**return on assets (ROA)**. The return on assets ratio is calculated as the ratio of profit.loss<sup>1</sup> of the reporting year (after tax) to the average<sup>2</sup> value of the Bank's assets;

<sup>1</sup> Profit/loss is calculated as follows: profit/loss (p/l) (after tax) as of the end of the reporting period is multiplied by the number of months of the year and related to the number of months from the beginning of the year to the end of the reporting period; for example, I quarter:  $p/l * 12/3$ ; II quarter:  $p/l * 12/6$ ; III quarter =  $p/z * 12/9$ ; IV quarter: =  $p/z * 12/12$ .

<sup>2</sup> Average value is calculated as the arithmetic mean of the balance sheet assets or residual capital and reserves of the respective months (on the last business day of the month) as from the beginning of the year to the end of the reporting period.

**3.4. PERFORMANCE INDICATORS ACCORDING TO INTERNAL ASSESSMENT\*\***

<b>Entry</b>	<b>First 12 months 2010</b>	<b>First 12 months 2009</b>
Return on equity (ROE) (%)	3,42	5,00
Return on assets (ROA) (%)	0,59	1,00

\*\* Average value of capital and reserves and assets is calculated as the arithmetic mean of the balance sheet assets or residual capital and reserves for the respective days as from the beginning of the year to the end of the reporting period.

Profit/loss is calculated as outlined in clause 3.3 hereof.

**4. RISK AND CAPITAL MANAGEMENT**

AS LTB Bank has provided information about its risk and capital management policies, including management of credit risk, concentration risk, liquidity risk, foreign exchange risk and interest rate risk, as well as about compliance with capital requirements and internal capital assessment at the Bank's Internet site:

<http://www.ltblv.com/en/parbanku/riskm>

Liquidity, open foreign currency position and capital adequacy are characterised by the following indicators:

<b>Entry</b>	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>
Liquidity indicator (%)	99,65	120,42
Open Foreign Currency position (%)	3,71	3,06
Capital adequacy indicator in line with regulatory requirements (%)	39,1	58,9
Internal capital adequacy indicator (%)	24,3	40,1

AS LTB Bank has provided quantitative information about risk indicators, as well as capital adequacy indicator in line with regulatory requirements and internal capital adequacy indicator for other periods at the Bank's Internet site:

<http://www.ltblv.com/en/parbanku/finstat>

On behalf of the Bank,

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Armands Šteinbergs  
Chairman of the Board

10 February 2011

The report has been approved by the Management Board of AS LTB Bank on 10 February 2011 (minutes Nr. 3).